



The President's Daily Brief

December 30, 1976

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~~*Top Secret*~~

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FOR THE PRESIDENT ONLY

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USSR-US: *The USSR within the past few weeks has become less negative about the future of Soviet-US relations.*

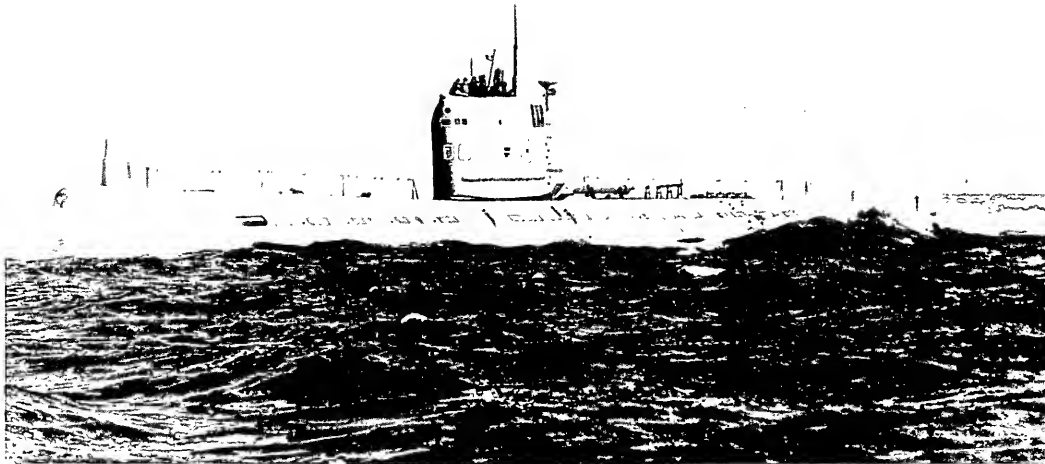
USA Institute Director Arbatov now is taking the line that there is reason for optimism on Soviet-US ties and that the problems raised during the US Presidential campaign were "imaginary" and "unessential." In English-language broadcasts on Tuesday, he referred to US public opinion polls strongly favoring the policy of detente.

Several weeks ago Soviet media appeared to be emphasizing that a new administration in the US did not necessarily mean progress for Soviet-US relations. In an article in Pravda on December 11, Arbatov referred to a new skepticism in the US about Soviet policy and concluded that the effects of the US campaign could complicate future relations.

The Soviet media are treating more evenhandedly certain members of the new US administration who had been heavily criticized, particularly Zbigniew Brzezinski. Yesterday's Pravda cited Brzezinski's support for SALT. Other Soviet reporting has noted President-elect Carter's pledge to give "priority attention" to strategic matters. Carter's support for a weapons freeze has been called an example of a "positive attitude" toward negotiations to limit nuclear weapons.

Party chief Brezhnev, commenting on future Soviet-US relations, urged that a SALT II agreement be concluded at the "earliest possible date," according to a Tass report. He credited Carter with an "understanding of the urgency" of the problem, and appeared to link a summit meeting with progress on this issue. The mention by Tass of a summit is particularly noteworthy in view of the dearth of such references in recent months.

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The F-class submarine

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NOTES

The Libyan navy has acquired its first submarine, a Soviet-built F-class torpedo attack boat.

The submarine, flying a Libyan flag [redacted] arrived in Tripoli on December 27.

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Libya is only the second country, after India, to receive the F-class, the principal diesel-powered torpedo attack submarine in the Soviet navy.

We do not know whether the Libyans are capable of operating their new submarine without Soviet supervisory personnel on board. They almost certainly will be unable to maintain it without Soviet help. Although Libyan naval personnel have received submarine training for about two years, the Soviets have experienced problems in training them.

Libya has on order at least 24 ships, including about five more F-class submarines, an unspecified number of Osa guided-missile patrol boats, six to ten French guided-missile patrol boats, four Italian missile corvettes, and several Spanish-built submarines.

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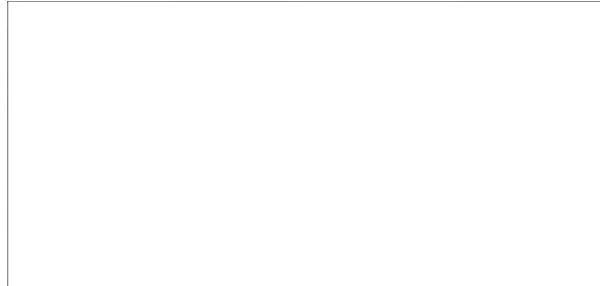
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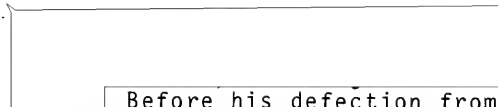
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An officer of China's National People's Congress, Chen I-sung, has suggested that the US, Japan, Europe, and China should cooperate to oppose Soviet "hegemonism."

Initial press reports of the interviews Chen granted to Japanese newspapers indicate that he also suggested that the US could append to documents normalizing relations with China a statement that it was concerned about peace in the western Pacific. Such a statement, according to Chen, would serve to allay US fears of a Chinese military seizure of Taiwan.

Chen's comments are said to be personal views, but he is not likely to discuss sensitive political issues without some official guidance. The significance of Chen's comments, however, cannot be fully assessed until full accounts of the interviews are available in Washington.



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Before his defection from Taiwan in 1973, he had been politically active in a variety of movements against the Taipei government and had a reputation for political naivete.

Chen is in Tokyo on what appears to be a personal visit. According to press reports, he plans to travel to the US.

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PERU-CHILE

We present here excerpts from the concluding section of an interagency intelligence memorandum entitled "Peru and Chile: Reassessment of the Potential for Conflict."

Peru's continuing faulty perception that Chile is able and willing to wage war has made Peruvians feel defensive, contributed to nationalistic sentiments, and increased the possibility of a Peruvian miscalculation. Some Peruvian officers continue to believe that the US is secretly arming Chile.

Nevertheless, we do not believe that Peru or Chile, particularly the latter, would initiate hostilities in the next year. Chile probably would not attack Peru under any circumstances.

With serious economic problems, both countries are focusing heavily on domestic concerns and must cultivate the good will of international trade and finance groups. An accidental border conflict, as opposed to deliberate attack or provocation, also seems less likely than two years ago since each side is aware of the risk and has taken steps to minimize it.

We believe continued inability to resolve the Bolivian corridor issue at present offers the most likely potential cause of a breakdown in relations between Peru and Chile. Moreover, as Peru continues to acquire sophisticated military hardware and pursues its plan to double the army's strength in the next two years, the possibility for miscalculations will increase.

The Chileans would not in our judgment seek a confrontation over the corridor but their recent refusal to discuss the Peruvian counterproposal indicates that neither will they permit Peru to impose conditions. Some Chilean officers are in fact convinced that the Soviet Union is encouraging Peru to use the corridor issue to provoke a clash with Chile.

The increased importance of the Bolivian corridor question raises the possibility of US involvement as an arbiter. The 1929 treaty establishing the

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ANNEX

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Peru-Chile border stipulated that the US President would settle any dispute over provisions of the treaty. The US government was not a party to the treaty and has never officially accepted the role of arbiter, but this does not negate the possibility that one or more parties might appeal to the President.

While it is evident that, out of mutual self-interest, both Peru and Chile should welcome improved relations, the particular issues separating them are coupled with general notions of nationalistic pride. Resolution of their differences is further complicated by the positions of Bolivia and Ecuador.

Aside from the difficult corridor question, the Bolivians are determined not to be victimized in a Chilean-Peruvian clash and are acquiring new weaponry to strengthen their defenses. They might even join in the conflict if they thought they could thereby secure an outlet to the sea.

The government of Ecuador is displeased with Peru's refusal to renegotiate the boundary in the Amazon region, and according to one report, might conceivably side with Chile in the later stages of any clash with Peru, thus compelling the Peruvians to fight on two fronts.

The arms buildup will continue throughout the area, and miscalculation or misperception on the part of Chile or Peru could conceivably lead to conflict. Nevertheless, both sides remain defensive. There appears to be little possibility that either country will initiate hostilities over the next year.

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